

MINUTES OF ROANOKE CITY COUNCIL AUDIT COMMITTEE

December 3, 2001

1. CALL TO ORDER:

The meeting of the Roanoke City Audit Committee was called to order at 11:05 a.m. on Monday, December 3, 2001, with Chairman, William White, Sr., presiding.

- The roll was called by Mrs. Powers

Audit Committee

Members Present: William White, Sr., Chairman
Mayor Ralph K. Smith
C. Nelson Harris
W. Alvin Hudson
Linda F. Wyatt

Others Present: Drew Harmon, Municipal Auditor
Darlene L. Burcham, City Manager
George C. Snead, Jr., Assistant City Manager for Operations
Rolanda Johnson, Assistant City Manager for Community Development
William M. Hackworth, City Attorney
James D. Grisso, Director of Finance
Jesse A. Hall, Deputy Director of Finance
Ann Shawver, Manager Accounting Services
Mike Tuck, Senior Auditor
Pamela C. Mosdell, Senior Auditor
Kevin A. Nicholson, Senior Auditor
Brian M. Garber, Auditor
Evelyn W. Powers, Administrative Assistant
M. Douglas McQuade, KPMG
R. James Barker, KPMG
Todd Jackson, Roanoke Times Reporter

2. FINANCIAL AUDITS:

KPMG June 30, 2001 Reports:

- A. City of Roanoke Letter of Recommendations on Procedures and Controls
- B. City of Roanoke Report to the Audit Committee
- C. City of Roanoke Pension Plan Letter to the Pension Committee
- D. City of Roanoke Independent Accountant's Report on Applying Agreed-Upon Procedures

Mr. White ordered that the financial audits be received and filed. There were no objections to the order. Mr. White recognized Mr. McQuade from KPMG for comments. Mr. McQuade briefed the Committee on the reports. There were no questions from the

Committee.

3. PERFORMANCE AUDITS:

- A. Fire-EMS – Fuel Management
- B. Information Center
- C. Facilities Management
- D. Fleet Management

Mr. White ordered that the performance audits be received and filed. There were no objections to the order. Mr. White recognized Mr. Harmon for comments. Mr. Harmon recognized each auditor who performed each of the performance audits. Due to the lack of time and the length of the agenda, Mr. Harmon introduced the Fuel Management audit and opened the floor up for questions from the Committee. Mr. Hudson stated that he agreed with the Municipal Auditor's recommendations and hoped that a better system would be followed. Mr. White concurred with Mr. Hudson and said that he was going to look at the City Manager to comment on all of the performance audits. Ms. Burcham said that the City administration was looking at different ways to handle fuel. She said that she would like to see all vehicles under one system and possibly purchasing the fuel from an outside vendor. Mr. White questioned any up-front cost to the City. Ms. Burcham said that cost was difficult to identify at this time; however, using private vendors should not generate any cost to the City.

Mr. Harmon introduced the Information Center audit. Mr. White questioned the security issues in the Information Center audit. Ms. Burcham said that this area does need work and that Mr. Slone is currently working the security issues. Ms. Burcham assured the Committee that this issue will not be on the agenda in the future. Mr. Harmon stated that the audit started as a user support audit and that security was a side issue. Mr. Harmon concurred with Ms. Burcham's comments and said that the Information Center was doing a good job.

Mr. Harmon introduced the Facilities Management audit. Mr. Hudson expressed a concern for the inadequate controls in the Facilities Audit and said that he would leave this area to the City Manager to address. Mr. Harris questioned is there someone on the City's staff to take care of the environmental OSHA issues mentioned in the report. Ms. Burcham said that this would come under Cary Lester, the City's Environmental Administrator. She said that the City has hired an Assistant to work with Cary, and that he is aware of this situation. Mr. White said that this was a serious situation for the City to be working without a contract. Mr. White said that he had told minority vendors that they would have the opportunity to bid on the work that the current vendor is now doing for the City. Mr. White wanted to know how did we break down and not have a contract. Mr. Grisso explained to the Committee how his people pay invoices with a Department Manager's approval as long as the invoice is under \$25,000. Ms. Burcham said that when she first reviewed the draft report she was very distressed. She said that she is pleased with the audit function because an audit like this identifies these types of problems. She said that this is the value of an audit department. Ms. Burcham said that she wants OMB and Finance to meet and put together procedures for handling contracts and making sure a contract is done before the first invoice is paid. Ms.

Burcham said that there was a bid in yesterday's paper for the cleaning service contract. Ms. Burcham said that they have added approximately 90,000 square feet of cleaning to the bid to include all Library branches and the Recreation Centers. Ms. Burcham said that the audit has raised concerns and that immediate changes will be made. She said that with the retirement of Doc Roupe, she has given this assignment to Chip Snead for his immediate attention.

Mr. Harmon introduced the Fleet Management audit. Mayor Smith alerted to the City's purchasing practices having too many loop holes, and using the good old-boy system for a long time. He said that we need to look at the procurement methods. Mr. Hudson said that the fleet management area is the most loosely run department the City has. He stated that this is a problem that has been around for a long time and that this audit backs up his past concerns. Mr. Harris echoed Mr. Hudson's concerns. Mr. Harris asked when this audit would be reviewed again for improvements. Ms. Burcham said that this would be brought back again at year-end with the Audit Findings Follow-Up. Ms. Burcham said that Chip Snead was taking this area over also. She informed the Committee that a Comprehensive Review Team has been formed and is working on these issues. Ms. Burcham said that she thought some of the functions should be privatized, while not sure about all the functions. Ms. Burcham said that Fleet Management and procurement will be consuming a significant amount of her time and Mr. Snead's time. Mr. Harmon reported to the Committee that a follow-up on all audit reports will be done at June 30, 2001, and reported to the Committee at the October, 2002 Audit Committee meeting. Mrs. Wyatt stated that she hoped that the employees in Fleet Management would be given the opportunity to bid on the functions performed by the department. She felt that privatizing was not always the best because sometimes you lose control and the vendors could hold the City captive when supplies needed became critical. Mrs. Wyatt said she wanted the City employees to have the same opportunity, as you would give a vendor. Mayor Smith stated that the City has lost control. He was very concerned with having 11 repair orders per vehicle. Mayor Smith suggested that the department is ignoring their own computerized system. He said that the City needs to have true direct repairs in categories by vehicle type. Mr. Hudson said he was surprised that there are so many repairs orders when the City has so many new pieces of equipment and vehicles. Mr. Hudson said he thought the repair orders would be coming down. Mrs. Wyatt asked if the employees were properly trained on how to use the computer systems, and suggested that the problem might be in how departments charge each other. Mr. White said that he was positive that the City Manager will work on all these areas and bring forward positive changes.

4. SPECIAL INVESTIGATION:

A. Police Department D.A.R.E. Account

Mr. White ordered that the special investigation audit be received and filed. There were no objections to the order. Mr. White recognized Mr. Harmon for comments. Mr. Harmon reported to the Committee that there was no wrong-doing and that management was taking care of the issues. There were no questions from the Committee.

5. UNFINISHED BUSINESS:

- A. School Board Engagement Letter
- B. School Board Annual Audit Plan for FY2002

Mr. White asked the Committee for a motion and a second regarding the School Board Engagement Letter. Mr. Harmon told the Committee that he believes the Engagement Letter is a good one and ask for questions. There were no questions. The motion was made by Mr. Harris and seconded by Mrs. Wyatt to concur with the School's Boards approval of the Engagement Letter. The motion was approved unanimously.

Mr. White asked the Committee for a motion and a second regarding the School Board Annual Audit Plan for FY2002. There were no comments or questions. The motion was made by Mr. Harris and seconded by Mr. Hudson to concur with the approval of the Annual Audit Plan for FY2002. The motion was approved unanimously.

6. NEW BUSINESS:

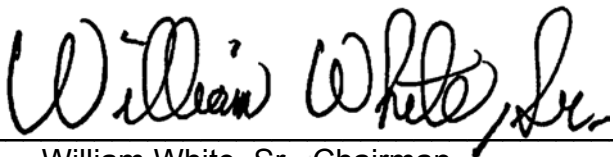
- A. Update on City's Audit Plan
- B. Briefing on Audit Department's Website

Mr. White recognized Mr. Harmon for comments. Mr. Harmon told the Committee that the Alright Parking contract was coming up for renewal and he was going to do a controls evaluation audit on parking.

Mr. Harmon told the Committee that the Audit department is working on a department Website and hoped to have it out on the site by mid-January.

7. ADJOURNMENT:

There being no further business, the meeting was adjourned at 11:50 a.m.

A handwritten signature in black ink that reads "William White, Sr." The signature is written in a cursive, flowing style.

William White, Sr., Chairman